

# **WILLOW RUN COMMUNITY SCHOOLS**



**Ypsilanti, Michigan**

## **FINANCIAL STATEMENTS and SINGLE AUDIT**

**For the Year Ended  
June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# WILLOW RUN COMMUNITY SCHOOLS

For the Year Ended June 30, 2008

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

October 31, 2008

Board of Education  
Willow Run Community Schools  
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **WILLOW RUN COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willow Run Community Schools, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Willow Run Community Schools' basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Willow Run Community Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## **Willow Run Community Schools Management's Discussion and Analysis**

As management and administrators of Willow Run Community Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Willow Run Community Schools for the fiscal year ended June 30, 2008.

### **Financial Highlights**

- In compliance with GASB 34 reporting requirements, total assets of the District amounted to \$63,129,464 and total liabilities amounted to \$84,390,086 on June 30, 2008. The total liabilities of the District exceeded total assets at the close of the most recent fiscal year by \$21,260,622 causing a net deficit for reporting purposes.
- The net deficit from the beginning of the year totaled \$19,707,340. The government's total net assets decreased by \$1,553,282 during the current year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of (\$706,925), a decrease of \$602,891 in comparison with the prior year. Of this amount, \$159,199 was from net expenditures in the Other Governmental Funds and the balance of \$443,692 was the result of losses in the General Fund. The District has no fund balance *available for spending* at the government's discretion (*unreserved fund balance*), with the District's unreserved fund deficit in the General Fund at (\$2,673,565). The entire remaining fund balance of \$1,966,640 is *restricted for spending* and relates to General Fund inventories and prepaid expenditures (\$377,123) and Other Governmental Funds (\$1,589,517).
- At the end of the current fiscal year, unreserved fund deficit for the General Fund was (\$2,673,565) or (10.5) percent of the total combined General Fund's expenditures and other financing sources and uses.
- Investments for the future were made by the spending of \$85,183 on finalizing the renovation of existing buildings. Of these outlays, \$78,633 were financed by the 2001 Capital Projects Fund.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. This is done by reporting the District's assets and liabilities using the full accrual basis of accounting. Prior to the implementation and adoption of GASB 34, the assets and liabilities of the District were reported using the modified-accrual basis of accounting. In essence, this change in accounting method requires the district to disclose debt issues, borrowings from the State, compensated absences for employees and capital assets less accumulated depreciation on the District's Financial Statements.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, it should be noted that the triggering event causing the District to be in a net deficit position is the recording of approximately \$21.5 million dollars in loans from the School Bond Loan Fund, an increase of over \$683 thousand dollars from the prior year. The District has participated in the School Bond Loan Fund since 1985. The obligation to the School Bond Loan Fund represents notes payable to the State of Michigan (as authorized by the 1963 State of Michigan Constitution) for the purposes of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Repayment to the School Bond Loan Fund is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. Currently, the District is carrying a debt millage of 10.3 mills.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In addition, this statement discloses the *non-cash* expenditure of depreciation which affects the ending book value of capital assets.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics, community service and interest on long-term debt.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which remains the District's only major fund. Data from the other ten governmental funds (food services, athletics, community service, five separate debt funds, the 2001 Capital Projects Fund and the Durant capital projects fund) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with that budget.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. Fiduciary funds are commonly referred to as student activity funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The accompanying notes are an integral part of the financial statements and must be reviewed in conjunction with the information reported on the financial statements to provide a full understanding of the District's financial situation. The notes to the financial statements can be found on pages 23-37 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.



## Government-wide Financial Analysis

The largest portion of the District's total assets (80.3 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending and are considered fixed. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion of the District's total assets (19.7 percent) reflects its current assets, comprised primarily of receivables and cash and cash equivalents. The receivables are primarily state aid and grant funds due to the District and received within 60 days of year-end. The cash and cash equivalents are primarily assets restricted for use in the ongoing construction project that was approved by voters in 2001. The corresponding debt for the 2001 bond issue has also been recorded in total liabilities and combined with other debt issues, makes up the largest portion of District liabilities representing approximately 85 percent.

### District's Total Assets & Net Deficit

	<b>Governmental Activities</b>	
	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>
Current and other assets	\$ 11,510,391	\$ 12,231,957
Investments	6,550	-0-
Capital assets, net	<u>53,366,514</u>	<u>50,897,507</u>
Total assets	<u>64,883,455</u>	<u>63,129,464</u>
Long-term liabilities outstanding	73,506,342	71,802,524
Other liabilities	<u>11,084,453</u>	<u>12,587,562</u>
Total liabilities	<u>84,590,795</u>	<u>84,390,086</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(17,925,721)	(18,732,130)
Restricted	806,542	1,584,336
Unrestricted	<u>(2,588,161)</u>	<u>(4,112,828)</u>
<b>Total net assets (deficit)</b>	<b><u>\$ (19,707,340)</u></b>	<b><u>\$ (21,260,622)</u></b>

The government's net deficit increased by \$1,553,282 during the current fiscal year. Most of this change largely reflects the degree to which ongoing expenditures exceeded ongoing revenues, as borrowings from the Michigan Municipal Bond Authority were used to provide necessary working capital. Included in the current fiscal year was a slight increase in the foundation allowance funding by the State of Michigan in the amount of \$84 per pupil. During this period, the District's enrollment on its primary funding pupil-count-day decreased by approximately 278.98 students and was 2,222.03 students at year-end.

## District's Changes in Net Assets

	<b>Governmental Activities</b>	
	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 458,366	\$ 351,640
Operating grants and contributions	8,706,802	7,866,253
General revenue:		
Property taxes	7,815,374	8,348,107
State school aid	15,664,216	13,578,848
Grants and contributions not restricted to specific programs	727,506	606,712
Unrestricted investment earnings	350,794	285,649
Gain on sale of capital assets	<u>492,803</u>	<u>-0-</u>
<b>Total revenue</b>	<b><u>34,215,861</u></b>	<b><u>31,037,209</u></b>
<b>Expenses:</b>		
Instruction	14,736,716	12,937,037
Support services	13,061,196	12,162,601
Food service	1,162,001	1,121,102
Athletics	408,343	408,388
Community service	111,461	14,022
Interest on long-term debt	3,551,853	3,393,152
Unallocated depreciation	<u>2,576,136</u>	<u>2,554,189</u>
<b>Total expenses</b>	<b><u>35,607,706</u></b>	<b><u>32,590,491</u></b>
<b>Increase (decrease) in net assets</b>	<b>(1,391,845)</b>	<b>(1,553,282)</b>
Net assets (deficit), beginning of year	<u>(18,315,495)</u>	<u>(19,707,340)</u>
<b>Net assets (deficit), end of year</b>	<b><u>\$ (19,707,340)</u></b>	<b><u>\$ (21,260,622)</u></b>

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending negative fund balances of (\$706,925) a decrease of \$602,891 in comparison with the prior year. Of this amount, (\$1,761,024) constitutes a negative *unreserved fund deficit*, and therefore is unavailable for spending at the government's discretion. The remainder of fund balance is *reserved or restricted* to indicate that it is not available for new spending because the underlying assets are included in inventory and are not available for current expenditure or are restricted and must be used for the ongoing construction project, debt service or other special purposes.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund deficit of the General Fund was (\$2,673,565), while total fund balance deficit was (\$2,296,442) negative. As a measure of the General fund's stability, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance for the combined General fund represents approximately (9.0) percent of total General fund expenditures and outgoing transfers. It is very important to keep in mind that fund balance is a valuable asset used as a stabilizing factor for the financial operations of a school district and should not be viewed as liquid. Rather, fund balance should be viewed as one-time money and should only be used (if necessary) for one-time expenses. Recurring funds are needed to support recurring expenses. Ignoring this fundamental principle can result in serious budget problems.

The fund balance of the District's General Fund decreased by \$443,692 during the current fiscal year. This is primarily attributable to continued declining enrollment (over 953 students in the last 8 years) and less than required funding from the State. This Net change in Fund Balance is evidence that the cost reduction strategies that have been implemented over the year have been effective. The decrease in enrollment of approximately 279 students generated a revenue reduction of \$2,160,297. The \$84 increase in the Foundation Allowance raised revenue by approximately \$186,673. Therefore, the Net change in Fund Balance would have been (\$1,973,624) instead of (\$443,692), without other expense reductions or revenue increases totaling \$1,529,932. Much of these reductions came about because of the health care cost reductions that were the result of collaborative efforts and contract settlement between the District Administration and the teachers, as well as all other bargaining groups. Substantial increases in fuel and utility costs, which remain a burden to the District, were again somewhat mitigated as a result of a mild heating season during the year.

### **Combined General Fund Budgetary Highlights**

Differences between the original and final amended General fund budgets were minor and reflected mainly expected changes in State Aid from the enrollment decline and unknowns with respect to the State of Michigan's fiscal current dilemma. The original and final budgets were based on many unknowns and pending issues. The District records grant funds in full for the year that they are awarded. Equity cannot be built using grant monies. Therefore, some significant variances are attributed to not fully using a grant in a given year. However, a majority of grants have been carried over into the next fiscal year (as evidenced by the large deferred revenue liability).

As information became known, subsequent budget amendments recognized changes to revenue or expenditures and adjustments were made. The original and amended budgets were based on management's estimates. Differences between the final General Fund budget and actual activity resulted in both revenue and expense being less than budget. Total Revenues were below the final budget in the amount of \$1,292,494. The most significant changes in revenue came about because of lower Federal Source revenue (\$1,096,183), mainly related to Title I and II funding. Additionally, the

major component of State Source funding was a decrease in State At-Risk funding (\$195,926) from final budgeted levels. Both of these revenue sources are “reimbursement grants” whereby the District is reimbursed for amounts expended. Therefore, as amounts expended decrease, there will be a corresponding decrease in revenue. Often, if grant funds remain available at year end, those funds are “carried over” to the following fiscal year to ensure full utilization of available grant funding. Local Source revenue exceeded the budget by \$36,135. The most significant change in revenue estimates (Budget) involved a reduction in State sources, mainly for an adjustment to the State School Aid unrestricted category (\$1,050,961). The actual State School Aid unrestricted category revenue exceeded the amended budget by \$59,814, or 0.4%. Additionally, State Special Education funding was increased (\$14,828) and State At-Risk funding (\$380,000) was decreased from initially estimated levels (Budget). Actual State Special Education exceeded the final budget by \$14,830, or 1.0%. Actual State At-Risk funding was less than the final budget by (\$195,926), reflecting reduced program activity and an increase in Deferred Revenue Liabilities for future periods. The estimate (Budget) for Local source funding was decreased (\$8,747) in total. Act 18 actual funding from the Washtenaw County Intermediate School District exceeded the budget by \$61,432. Property Tax revenue fell short of the final budget by \$28,560, or 0.8%, due mainly from the adjustment for a fiscal 2008-2009 Payment in Lieu of Taxes that was corrected at year-end.

Total Expenses were \$1,236,897 below the final budget. The most significant portion of this change occurred in the Total Instruction section in the amount of \$1,045,201, mainly reflecting the reduced Federal source and State At-Risk grant revenue. Pupil Support Services were \$18,984 less than the final budget, mainly the result of approximately, \$115,327 of budget savings to the operating budget, in the area of salaries and benefits for Psychological and Speech Pathology services, offset in part by expenditures for extracurricular stipends to teaching staff and game security payments to the County Sheriff’s Office, exceeding the final budget by approximately \$90,716. Support Services for Instructional Staff was less than the final budget by \$247,391, mainly from carrying over approximately \$175,000 of Title II and \$70,000 of Title I funding. General Administration expenditures were \$3,777 below the final budget. School Administration expenditures exceeded the final budget by \$34,241, due mainly to salaries and benefits in excess of the budget. The Operations and Maintenance of Plant expenditures were over the final budget by \$43,544, due to salary and benefit expenses due to the delayed implementation of budgeted health care cost reductions. Pupil Transportation costs exceeded the final budget by \$22,617 again, due to the delayed implementation of budgeted health care cost reductions. Capital outlays were below the final budget by \$7,108. Finally, the area of Other Financing Sources exceeded the final budget by \$147,599. This was due mainly to a \$109,376 transfer-in from the Food Service fund for State allowed indirect cost recovery. This source was partially offset by the transfer-out to food service of \$71,530. The net effect of the food service transfers were designed to decrease the fund balance for the food service fund by \$23,790 to exhaust fund balance from the prior year replenishment of food service funds because the FYE-2006 net contribution to the general fund exceeded maximum allowable indirect costs by that amount. Also, \$390,997 was transferred to the Athletics Fund and \$1,976 transferred to the Community Service Fund.

## **Capital Asset and Debt Administration**

**Capital assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$50,897,507 (net of accumulated depreciation of \$21,675,862). This investment in capital assets includes land, buildings, construction in progress, vehicles and equipment. The District’s investment in capital assets decreased by over \$2.5 Million during the current fiscal year. A majority of this decrease is attributed to the ongoing depreciation on capital assets.

The major capital asset events during the current fiscal year included the following:

- Continued work on “punch list” items District-wide
- Various technology improvements made throughout the District.
- Initial design work on the Softball Complex and Football bleachers

**Willow Run Community Schools**  
**Capital Assets**  
(net of depreciation)  
June 30, 2007 & 2008 respectively

Land (historic cost)	\$ 204,719	\$ 204,719
Buildings & Improvements	51,344,543	49,188,500
Vehicles	95,719	59,852
Equipment	1,721,533	1,444,436
Construction in progress	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 53,366,514</u></b>	<b><u>\$ 50,897,507</u></b>

Accumulated depreciation at June 30, 2008 amounted to \$21,675,862 and included current year depreciation expense of \$2,554,189. During the year, the District did not sell or dispose of its capital assets.

Additional information on the District’s capital assets can be found in note III.C of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$71,153,685. These are general obligation bonds and constitute an indebtedness of the District and are payable solely from the Debt Retirement Funds. As of June 30, 2008, these funds had a total fund balance of \$676,974. Future principal and interest payments are paid from collections of the 10.3 mills debt levy.

Additional information on the District’s long-term debt can be found in note III.F of this report.

**Factors Bearing on the District’s Future**

At the end of the 2005-2006 fiscal year, the District experienced a significant decrease to its fund balance and the fund balance turned to a negative number, thereby triggering the requirement that the District file a Deficit Elimination Plan with the Michigan Department of Education during the 2006-2007 fiscal year. That original Plan was updated and again approved for the 2007-2008 fiscal year by the Michigan Department of Education in January 2008. The updated Plan called for balanced fiscal operations for the 2007-2008 fiscal year and a planned surplus for the 2008-2009 fiscal year in order to eliminate the fund balance deficit and restore the fund balance to zero (\$0.00). After losing approximately \$2.0 Million annually for three consecutive fiscal years (FYE-2004, 2005 and 2006), the District implemented a series of cost reduction initiatives that would have been more than sufficient to achieve a positive fund balance within the time period of the DEP, save for the continued

enrollment declines that the District experienced. The cost reductions were a significant achievement for fiscally challenged District. For FYE-08, had enrollment simply remained stable at FYE-07 levels the District would have produced a \$1,716,605 General Fund surplus rather than its (\$443,692) deficit. Even this loss however, is a substantial improvement over the FYE-2004 through FYE-2006 loss levels. Over the next two years however, the District will have to make further cost reductions and/or find new revenues in order to generate a surplus of approximately \$2.3 Million to mitigate the general fund balance deficit and bring the fund balance up to zero (\$0.00). This will prove to be no small challenge and will undoubtedly involve continued sacrifice by all stakeholders for the overall good of the District.

Stabilization of its enrollment and education funding within the State of Michigan continue to be the District's two most formidable challenges. Although the legislature appropriated a \$84 per pupil increase to the foundation allowance for the 2007-2008 school year, those funds proved insufficient in comparison to the cost increases experienced from structural step increases, increased retirement and health insurance expense. At this time the published increase in the foundation allowance for fiscal year 2008-2009 will be \$97 per pupil however, changes could occur that reduce that amount. First and foremost, declines in enrollment, a significant component of education funding, continue to vex the District's fiscal health.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David M. Houle, W.I.S.D. Director – Willow Run, Willow Run Community Schools, 235 Spencer Lane, Ypsilanti, Michigan 48198.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



# WILLOW RUN COMMUNITY SCHOOLS

## Statement of Net Assets

June 30, 2008

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,884,346
Receivables	5,950,151
Prepaid items and other assets	397,460
Capital assets not being depreciated	204,719
Capital assets being depreciated, net	<u>50,692,788</u>
<b>Total assets</b>	<u>63,129,464</u>
<b>Liabilities</b>	
Accounts payable, accrued liabilities and notes payable	11,537,026
Unearned revenue	1,050,536
Long-term debt:	
Due within one year	2,382,643
Due in more than one year	<u>69,419,881</u>
<b>Total liabilities</b>	<u>84,390,086</u>
<b>Net assets (deficit)</b>	
Invested in capital assets, net of related debt	(18,732,130)
Restricted for:	
Debt service	676,974
Other purposes	907,362
Unrestricted (deficit)	<u>(4,112,828)</u>
<b>Total net assets (deficit)</b>	<u><u>\$ (21,260,622)</u></u>

The accompanying notes are an integral part of these financial statements.

**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<b><u>Functions / Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	
Governmental activities:				
Instruction	\$ 12,937,037	\$ 127,619	\$ 6,982,782	\$ (5,826,636)
Supporting services	12,162,601	-	(57,103)	(12,219,704)
Food service	1,121,102	197,692	937,467	14,057
Athletics	408,388	14,283	3,107	(390,998)
Community service	14,022	12,046	-	(1,976)
Interest on long-term debt	3,393,152	-	-	(3,393,152)
Unallocated depreciation	2,554,189	-	-	(2,554,189)
Total	<u>\$ 32,590,491</u>	<u>\$ 351,640</u>	<u>\$ 7,866,253</u>	<u>(24,372,598)</u>
General revenues:				
Property taxes				8,348,107
Unrestricted state aid				13,578,848
Grants and contributions not restricted to specific programs				606,712
Unrestricted investment earnings				285,649
Total general revenues				<u>22,819,316</u>
Change in net assets				(1,553,282)
Net assets (deficit), beginning of year				<u>(19,707,340)</u>
Net assets (deficit), end of year				<u>\$ (21,260,622)</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

# WILLOW RUN COMMUNITY SCHOOLS

## Balance Sheet Governmental Funds June 30, 2008

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 3,043,109	\$ 2,841,237	\$ 5,884,346
Accounts receivable	715,473	26,292	741,765
Taxes receivable	77,687	45,325	123,012
Due from other governments	4,465,422	619,952	5,085,374
Due from other funds	719,001	231,835	950,836
Interfund receivable	171,326	-	171,326
Inventories	34,708	5,181	39,889
Prepaid items	342,415	-	342,415
	<u>\$ 9,569,141</u>	<u>\$ 3,769,822</u>	<u>\$ 13,338,963</u>
<b><u>TOTAL ASSETS</u></b>			
	<u>\$ 9,569,141</u>	<u>\$ 3,769,822</u>	<u>\$ 13,338,963</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Interfund payable	\$ -	\$ 171,326	\$ 171,326
Accounts payable	364,059	382,262	746,321
Accrued payroll	1,584,509	1,822	1,586,331
Accrued liabilities	805,949	-	805,949
Due to other funds	2	950,834	950,836
Deferred revenue	1,111,064	674,061	1,785,125
Notes payable	8,000,000	-	8,000,000
	<u>11,865,583</u>	<u>2,180,305</u>	<u>14,045,888</u>
Total liabilities	<u>11,865,583</u>	<u>2,180,305</u>	<u>14,045,888</u>
<b>Fund balances (deficit)</b>			
Reserved for inventories and prepaids	377,123	5,181	382,304
Unreserved:			
Undesignated (deficit)	(2,673,565)	-	(2,673,565)
Undesignated, reported in nonmajor:			
Special revenue funds (deficit)	-	(5,179)	(5,179)
Debt service funds	-	676,974	676,974
Capital projects funds	-	912,541	912,541
	<u>(2,296,442)</u>	<u>1,589,517</u>	<u>(706,925)</u>
Total fund balances (deficit)	<u>(2,296,442)</u>	<u>1,589,517</u>	<u>(706,925)</u>
	<u>\$ 9,569,141</u>	<u>\$ 3,769,822</u>	<u>\$ 13,338,963</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 9,569,141</u>	<u>\$ 3,769,822</u>	<u>\$ 13,338,963</u>

The accompanying notes are an integral part of these financial statements.

**WILLOW RUN COMMUNITY SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

Fund balances (deficit) - total governmental funds	\$ (706,925)
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Amounts reported for governmental activities in the statement of net assets are different

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	204,719
Add: capital assets being depreciated	72,368,650
Deduct: accumulated depreciation	(21,675,862)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable	611,577
Add: deferred delinquent property taxes receivable	123,012

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(71,153,685)
Add: unamortized bond premium and issuance costs	15,156
Deduct: accrued interest on bonds payable	(398,425)
Deduct: compensated absences	(648,839)

Net assets of governmental activities (deficit)	\$ (21,260,622)
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The accompanying notes are an integral part of these financial statements.

# WILLOW RUN COMMUNITY SCHOOLS

## Statement of Revenue, Expenditures

### and Changes in Fund Balances

#### Governmental Funds

**For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Revenue</b>			
Local sources	\$ 6,697,618	\$ 5,309,104	\$ 12,006,722
State sources	16,156,241	97,425	16,253,666
Federal sources	2,242,491	806,966	3,049,457
	<u>25,096,350</u>	<u>6,213,495</u>	<u>31,309,845</u>
Total revenue			
<b>Expenditures</b>			
Instruction	13,020,583	-	13,020,583
Supporting services	12,159,940	-	12,159,940
Food service activities	-	1,121,102	1,121,102
Athletic activities	-	408,388	408,388
Community service	-	14,022	14,022
Debt service:			
Principal repayment	-	2,627,051	2,627,051
Interest and fiscal charges	-	2,472,075	2,472,075
Capital outlay	4,392	85,183	89,575
	<u>25,184,915</u>	<u>6,727,821</u>	<u>31,912,736</u>
Total expenditures			
Revenue under expenditures	<u>(88,565)</u>	<u>(514,326)</u>	<u>(602,891)</u>
<b>Other financing sources (uses)</b>			
Transfers in from other funds	109,376	395,240	504,616
Transfers out to other funds	(464,503)	(40,113)	(504,616)
	<u>(355,127)</u>	<u>355,127</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	(443,692)	(159,199)	(602,891)
Fund balance (deficit), beginning of year	<u>(1,852,750)</u>	<u>1,748,716</u>	<u>(104,034)</u>
<b>Fund balance (deficit), end of year</b>	<u><u>\$ (2,296,442)</u></u>	<u><u>\$ 1,589,517</u></u>	<u><u>\$ (706,925)</u></u>

The accompanying notes are an integral part of these financial statements.

**WILLOW RUN COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$ (602,891)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	85,182
Deduct: depreciation expense	(2,554,189)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: change in deferred property taxes	(95,299)
Deduct: payments received on long-term Durant Settlement receivable	(103,576)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	2,627,051
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest payable on bonds	(921,077)
Add: decrease in the accrual for compensated absences	11,517

Change in net assets of governmental activities	\$ (1,553,282)
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The accompanying notes are an integral part of these financial statements.

**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources:				
Property tax levy	\$ 3,441,579	\$ 3,498,220	\$ 3,469,660	\$ (28,560)
Interest	200,000	200,000	210,497	10,497
Act 18 funds	2,335,457	2,147,939	2,209,371	61,432
Other	693,194	815,324	808,090	(7,234)
Total revenue from local sources	<u>6,670,230</u>	<u>6,661,483</u>	<u>6,697,618</u>	<u>36,135</u>
State sources:				
State school aid - unrestricted	14,569,995	13,519,034	13,578,848	59,814
Special education	1,456,113	1,470,941	1,485,771	14,830
At-Risk	1,354,773	974,773	778,847	(195,926)
Early child	328,242	328,242	246,317	(81,925)
Adult education	84,890	88,541	63,997	(24,544)
Durant	-	-	-	-
Other	7,156	7,156	2,461	(4,695)
Total revenue from state sources	<u>17,801,169</u>	<u>16,388,687</u>	<u>16,156,241</u>	<u>(232,446)</u>
Federal sources:				
Title I	1,505,415	1,505,415	773,609	(731,806)
Title II	459,717	459,717	171,812	(287,905)
Title V	19,942	85,622	9,638	(75,984)
Safe and drug free schools	33,862	33,862	17,743	(16,119)
CSA - Headstart	453,840	455,350	523,385	68,035
Class size reduction	26,524	26,524	-	(26,524)
Special education	656,839	656,839	621,091	(35,748)
Other	115,345	115,345	125,213	9,868
Total revenue from federal sources	<u>3,271,484</u>	<u>3,338,674</u>	<u>2,242,491</u>	<u>(1,096,183)</u>
Total revenue	<u>27,742,883</u>	<u>26,388,844</u>	<u>25,096,350</u>	<u>(1,292,494)</u>

continued...



**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual - Continued**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary	\$ 4,404,310	\$ 4,674,866	\$ 4,640,142	\$ (34,724)
Junior high	2,412,997	2,013,908	2,006,047	(7,861)
High school	2,519,798	2,494,276	2,517,219	22,943
Summer school	275,850	336,665	109,144	(227,521)
Preschool	475,682	825,488	565,370	(260,118)
Other	370,352	353,116	313,992	(39,124)
Total basic programs	<u>10,458,989</u>	<u>10,698,319</u>	<u>10,151,914</u>	<u>(546,405)</u>
Added needs:				
Special education	1,431,657	1,796,970	1,769,733	(27,237)
Compensatory education	1,008,637	1,133,358	657,430	(475,928)
Other	63,752	21,789	12,138	(9,651)
Total added needs	<u>2,504,046</u>	<u>2,952,117</u>	<u>2,439,301</u>	<u>(512,816)</u>
Adult education - secondary	<u>358,683</u>	<u>214,548</u>	<u>227,859</u>	<u>13,311</u>
Transfers to other districts	<u>224,300</u>	<u>200,800</u>	<u>201,509</u>	<u>709</u>
Total instruction	<u>13,546,018</u>	<u>14,065,784</u>	<u>13,020,583</u>	<u>(1,045,201)</u>
Supporting services:				
Pupil Services:				
Attendance	27,649	5,937	7,204	1,267
Guidance	328,235	222,356	215,700	(6,656)
Health services	192,737	137,427	120,294	(17,133)
Psychological services	252,036	245,806	169,699	(76,107)
Speech pathology audiology	501,379	443,526	404,306	(39,220)
Social work services	558,157	564,797	558,732	(6,065)
Teacher consultants	1,170,924	927,397	961,611	34,214
Other	538,681	512,497	603,213	90,716
Total pupil services	<u>3,569,798</u>	<u>3,059,743</u>	<u>3,040,759</u>	<u>(18,984)</u>

continued...

**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual - Continued**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional Staff:				
Improvement of instruction	\$ 777,851	\$ 391,202	\$ 233,751	\$ (157,451)
Library	306,011	262,110	322,386	60,276
Computer assisted instruction	395,440	269,791	260,899	(8,892)
Supervision and direction	888,324	656,791	515,467	(141,324)
Total instructional staff	<u>2,367,626</u>	<u>1,579,894</u>	<u>1,332,503</u>	<u>(247,391)</u>
General administration:				
Board of education	155,404	197,705	178,572	(19,133)
Executive administration	<u>263,466</u>	<u>241,179</u>	<u>256,535</u>	<u>15,356</u>
Total general administration	<u>418,870</u>	<u>438,884</u>	<u>435,107</u>	<u>(3,777)</u>
School administration:				
Office of the principal	<u>1,472,229</u>	<u>1,417,976</u>	<u>1,452,217</u>	<u>34,241</u>
Business services:				
Fiscal services	385,077	396,126	401,657	5,531
Operation and maintenance of plant	3,141,326	3,380,566	3,424,110	43,544
Pupil transportation services	1,525,547	1,286,311	1,308,928	22,617
Internal services	2,700	2,700	2,688	(12)
Other	<u>553,349</u>	<u>637,311</u>	<u>618,393</u>	<u>(18,918)</u>
Total business services	<u>5,607,999</u>	<u>5,703,014</u>	<u>5,755,776</u>	<u>52,762</u>
Staff services	<u>231,708</u>	<u>145,017</u>	<u>143,578</u>	<u>(1,439)</u>
Total supporting services	<u>13,668,230</u>	<u>12,344,528</u>	<u>12,159,940</u>	<u>(184,588)</u>

continued...

**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual - Concluded**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (concluded)</b>				
Capital outlay:				
Instruction:				
Adult education	\$ -	\$ -	\$ -	\$ -
Supporting services:				
Instructional staff	83,772	-	-	-
General administration	-	1,000	178	(822)
School administration	4,146	4,000	1,783	(2,217)
Business services	11,000	6,500	2,431	(4,069)
	<u>98,918</u>	<u>11,500</u>	<u>4,392</u>	<u>(7,108)</u>
Total capital outlay				
	<u>27,313,166</u>	<u>26,421,812</u>	<u>25,184,915</u>	<u>(1,236,897)</u>
Total expenditures				
	<u>429,717</u>	<u>(32,968)</u>	<u>(88,565)</u>	<u>(55,597)</u>
Revenue over (under) expenditures				
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	2,300	2,300	-	(2,300)
Transfers in	-	-	109,376	109,376
Transfers out	(432,017)	(505,026)	(464,503)	40,523
	<u>(429,717)</u>	<u>(502,726)</u>	<u>(355,127)</u>	<u>147,599</u>
Total other financing sources (uses)				
	<u>-</u>	<u>(535,694)</u>	<u>(443,692)</u>	<u>92,002</u>
Net change in fund balance				
	<u>(1,852,750)</u>	<u>(1,852,750)</u>	<u>(1,852,750)</u>	<u>-</u>
Fund balance (deficit), beginning of year				
	<u>\$ (1,852,750)</u>	<u>\$ (2,388,444)</u>	<u>\$ (2,296,442)</u>	<u>\$ 92,002</u>
<b>Fund balance (deficit), end of year</b>				

The accompanying notes are an integral part of these financial statements.

**WILLOW RUN COMMUNITY SCHOOLS**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2008**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$    167,257</u>
 <b>Liabilities</b>	
Due to student groups	<u>\$    167,257</u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Willow Run Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. However, agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

The *debt service* funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The *capital projects* funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### D. Assets, liabilities and equity

#### 1. *Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

#### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### 3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land and improvements	0-20
Buildings	25-50
Furniture and equipment	5-20
Licensed vehicles	6



# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### 5. *Compensated absences*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, the District's teacher's bargaining units are entitled to severance payouts upon separation from the District. Payouts of \$6,000 are available based upon certain retirement criteria for each bargaining unit.

### 6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. Variances from the final amended budget are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

All annual appropriations lapse at fiscal year end.

#### B. Fund deficit

At June 30, 2008, the General Fund had a deficit of \$2,296,442. In 2006, the District filed a deficit elimination plan with the State of Michigan Department of Treasury. This plan will be reevaluated in the year ending June 30, 2009.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

##### Statement of Net Assets

Cash and cash equivalents	\$ 5,884,346
---------------------------	--------------

##### Statement of Fiduciary Net Assets

Cash and cash equivalents	<u>167,257</u>
---------------------------	----------------

**\$ 6,051,603**

These balances are categorized for note disclosures as follows:

Cash on hand	\$ 700
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Deposits	1,345,951
----------	-----------

Investments	<u>4,704,952</u>
-------------	------------------

**\$ 6,051,603**

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

### Investments

The School District chooses to disclose its investments by specifically identifying each. As of year end, the School District had the following investments.

<b><u>Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>	<b><u>Rating</u></b>
Citizens Bank Sweep Accounts	n/a	\$ 267,433	n/a
Michigan Liquid Asset Fund	n/a	<u>4,437,519</u>	S&P-AAAm
		<b><u>\$ 4,704,952</u></b>	

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

### Deposit and investment risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments are noted above.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,152,881 of the District's bank balance of \$1,357,554 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The above investments are not subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### B. Receivables

	Governmental Activities			Amount Not Expected to be Collected Within One Year
	General	Nonmajor Funds	Total	
Receivables:				
Accounts	\$ 715,473	\$ 26,292	\$ 741,765	\$ -
Taxes	77,687	45,325	123,012	-
Intergovernmental	4,465,422	8,375	4,473,797	-
Durant Settlement	-	611,577	611,577	553,934
<b>Total receivables</b>	<b>\$ 5,258,582</b>	<b>\$ 691,569</b>	<b>\$ 5,950,151</b>	<b>\$ 553,934</b>

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 204,719	\$ -	\$ -	\$ 204,719
Construction in progress	-	85,182	(85,182)	-
Total capital assets not being depreciated	<u>204,719</u>	<u>85,182</u>	<u>(85,182)</u>	<u>204,719</u>
Capital assets being depreciated:				
Buildings	61,762,461	16,658	-	61,779,119
Improvements	5,712,103	1,825	-	5,713,928
Furniture & Equipment	3,335,238	66,699	-	3,401,937
Vehicles	1,473,666	-	-	1,473,666
Total capital assets being depreciated	<u>72,283,468</u>	<u>85,182</u>	<u>-</u>	<u>72,368,650</u>
Accumulated depreciation:				
Buildings	15,117,160	1,899,865	-	17,017,025
Improvements	1,012,861	274,661	-	1,287,522
Furniture & Equipment	1,613,705	343,796	-	1,957,501
Vehicles	1,377,947	35,867	-	1,413,814
Total accumulated depreciation	<u>19,121,673</u>	<u>2,554,189</u>	<u>-</u>	<u>21,675,862</u>
Capital assets being depreciated, net	<u>53,161,795</u>	<u>(2,469,007)</u>	<u>-</u>	<u>50,692,788</u>
<b>Capital assets, net</b>	<b><u>\$ 53,366,514</u></b>	<b><u>\$ (2,383,825)</u></b>	<b><u>\$ (85,182)</u></b>	<b><u>\$ 50,897,507</u></b>

Depreciation expense of \$2,554,189 was charged to the function "unallocated depreciation".

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

### D. Payables

Accounts payable and accrued liabilities as of June 30, 2008 for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Financial Statements:</b>			
Accounts payable	\$ 364,059	\$ 382,262	\$ 746,321
Salaries and benefits payable	1,584,509	1,822	1,586,331
Accrued expenditures	805,949	-	805,949
Notes payable	<u>8,000,000</u>	<u>-</u>	<u>8,000,000</u>
	<u><b>\$ 10,754,517</b></u>	<u><b>\$ 384,084</b></u>	<u><b>11,138,601</b></u>
<b>District-Wide Financial Statements:</b>			
Accrued interest on long-term debt			<u>398,425</u>
<b>Total payables</b>			<u><b>\$ 11,537,026</b></u>

### E. Interfund receivables, payables and transfers

At June 30, 2008, interfund receivables and payables in the fund financial statements consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 719,001	\$ 2
Other Governmental Funds	<u>231,835</u>	<u>950,834</u>
	<u><b>\$ 950,836</b></u>	<u><b>\$ 950,836</b></u>

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 171,326	\$ -
Other Governmental Funds	-	171,326
	<u><u>\$ 171,326</u></u>	<u><u>\$ 171,326</u></u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 109,376	\$ 464,503
Non-Major Funds:		
Food Service	-	37,846
Athletics	390,997	-
Community services	1,976	-
1992 Debt Service	2,267	-
1996 Debt Service	-	2,267
	<u><u>\$ 504,616</u></u>	<u><u>\$ 504,616</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the District transferred funds to subsidize the food services fund, athletics program and community services programs.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

### F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 52,016,577	\$ -	\$ 2,375,000	\$ 49,641,577	\$ 2,382,643
School bond loan fund	20,829,409	934,750	252,051	21,512,108	-
Compensated absences	660,356	-	11,517	648,839	-
	<u>\$ 73,506,342</u>	<u>\$ 934,750</u>	<u>\$ 2,638,568</u>	<u>\$ 71,802,524</u>	<u>\$ 2,382,643</u>

Bonds payable at June 30, 2008, are comprised of the following issues:

#### General Obligation Bonds:

\$7,885,000 2006 Building and Site Bonds, due in annual installments of \$280,000 to \$370,000 through the year 2018; plus interest at 3.5% to 5.0% \$ 7,095,000

\$5,325,000 2002 Refunding Bonds, due in annual installments of \$635,000 to \$725,000 through the year 2010; plus interest at 3.40% to 6.80% 635,000

\$50,000,000 2002 Building & Site Bonds, due in annual installments of \$1,250,000 to \$2,000,000 through year 2031; plus interest at 4.50% to 5.50% 25,575,000

\$15,800,000 2006 Refunding Bonds, due in annual installments of \$25,000 to \$2,000,000 through year 2020; plus interest at 3.25% to 5% 15,725,000

\* \$1,035,759 1998 Durant School Improvement Bonds, due in annual installments of \$57,443 to \$364,018 through the year 2013; interest at 4.76% 611,577

**\$ 49,641,577**

- \* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.



# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 2,382,643	\$ 2,390,546	\$ 4,773,189
2010	2,115,385	2,292,085	4,407,470
2011	2,123,261	2,201,595	4,324,856
2012	2,211,270	2,110,761	4,322,031
2013	2,584,018	2,129,419	4,713,437
2014-2018	12,400,000	8,285,375	20,685,375
2019-2023	9,925,000	5,460,000	15,385,000
2024-2028	9,900,000	2,987,500	12,887,500
2029-2031	6,000,000	600,000	6,600,000
	<b><u>\$ 49,641,577</u></b>	<b><u>\$ 28,457,281</u></b>	<b><u>\$ 78,098,858</u></b>

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2008, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Beginning balance	\$ 15,503,502	\$ 5,325,907	\$ 20,829,409
Additions	-	934,750	934,750
Deletions	-	(252,051)	(252,051)
<b>Ending balance</b>	<b><u>\$ 15,503,502</u></b>	<b><u>\$ 6,008,606</u></b>	<b><u>\$ 21,512,108</u></b>

Compensated absences are generally liquidated by the general fund.

*Advance Refunding.* In 2006, the District advance refunded debt in the amount of \$8,070,000. The balance of these defeased bonds outstanding as of June 30, 2008 for this prior year refunding was \$8,070,000.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### G. Short-term debt – notes payable

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid decrease significantly each November.

Short-term debt activity for the year ended June 30, 2008, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
State aid notes	<b><u>\$ 6,500,000</u></b>	<b><u>\$ 8,000,000</u></b>	<b><u>\$ 6,500,000</u></b>	<b><u>\$8,000,000</u></b>

The balance at June 30, 2008 consists of one note balance due of \$8,000,000 on August 20, 2008, with interest at 3.68%. The note was renewed for \$8,000,000 on August 20, 2008 with an interest rate of 1.70%, and is due August 20, 2009.

### H. Commitments and contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. The District has had an unfair labor charge filed by one of its unions arising out of a collective bargaining dispute related to health insurance coverage and step increases for those covered by that bargaining group. It is unknown what this liability, if any, may be as of this report date.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### IV. OTHER INFORMATION

#### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the Middle Cities Association (risk pool) for claims relating to employee injuries / workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by Superior and Ypsilanti Townships on July 1. Each of the townships has boundaries that include property within the District. All levies become delinquent on February 14. The Delinquent Tax Revolving Fund of Washtenaw County advances delinquent real taxes to the District.

#### C. Defined benefit pension plan

##### Plan Description

The Willow Run Community Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

# WILLOW RUN COMMUNITY SCHOOLS

## Notes to the Financial Statements

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### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Willow Run Community Schools is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the Willow Run Community Schools are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2008, 2007 and 2006 were \$2,639,774, \$3,051,140, and \$2,725,500, respectively, equal to the required contributions for each year.

### **Other Postemployment Benefits**

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **D. Bonded Construction Costs**

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

\* \* \* \* \*

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS

**WILLOW RUN COMMUNITY SCHOOLS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	<u>Special Revenue</u>			<u>1992</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Services</u>	<u>Debt Service</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 644,019	\$ -	\$ 219,955	\$ 486
Accounts receivable	26,292	-	-	-
Taxes receivable	-	-	-	7,694
Due from other governments	8,375	-	-	-
Due from other funds	-	174,772	43,960	4,838
Inventories	5,181	-	-	-
	<u>5,181</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 683,867</u></b>	<b><u>\$ 174,772</u></b>	<b><u>\$ 263,915</u></b>	<b><u>\$ 13,018</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Interfund payable	\$ -	\$ 171,326	\$ -	\$ -
Accounts payable	18,522	3,446	-	-
Accrued payroll	990	-	832	-
Due to other funds	664,354	-	263,082	2,993
Deferred revenue	-	-	-	9,994
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,994</u>
Total liabilities	<u>683,866</u>	<u>174,772</u>	<u>263,914</u>	<u>12,987</u>
 <b>Fund balances</b>				
Reserved for inventories	5,181	-	-	-
Unreserved, undesignated (deficit)	(5,180)	-	1	31
Total fund balances	<u>1</u>	<u>-</u>	<u>1</u>	<u>31</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 683,867</u></b>	<b><u>\$ 174,772</u></b>	<b><u>\$ 263,915</u></b>	<b><u>\$ 13,018</u></b>

Debt Service				Capital Projects		Totals
1996 Debt Service	Durant Debt Service	2001 Debt Service	2005 Debt Service	2001 Capital Projects	Durant Capital Projects	
\$ 122,024	\$ -	\$ 512,279	\$ 69,639	\$ 1,272,765	\$ 70	\$ 2,841,237
-	-	-	-	-	-	26,292
6,973	-	28,849	1,809	-	-	45,325
-	611,577	-	-	-	-	619,952
(1,182)	-	8,810	637	-	-	231,835
-	-	-	-	-	-	5,181
<u>\$ 127,815</u>	<u>\$ 611,577</u>	<u>\$ 549,938</u>	<u>\$ 72,085</u>	<u>\$ 1,272,765</u>	<u>\$ 70</u>	<u>\$ 3,769,822</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,326
-	-	-	-	360,294	-	382,262
-	-	-	-	-	-	1,822
-	-	16,879	3,526	-	-	950,834
9,671	611,577	37,955	4,864	-	-	674,061
<u>9,671</u>	<u>611,577</u>	<u>54,834</u>	<u>8,390</u>	<u>360,294</u>	<u>-</u>	<u>2,180,305</u>

-	-	-	-	-	-	5,181
118,144	-	495,104	63,695	912,471	70	1,584,336
118,144	-	495,104	63,695	912,471	70	1,589,517
<u>\$ 127,815</u>	<u>\$ 611,577</u>	<u>\$ 549,938</u>	<u>\$ 72,085</u>	<u>\$ 1,272,765</u>	<u>\$ 70</u>	<u>\$ 3,769,822</u>

**WILLOW RUN COMMUNITY SCHOOLS**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Special Revenue</b>			<b>1992</b>
	<b>Food Services</b>	<b>Athletics</b>	<b>Community Services</b>	<b>Debt Service</b>
<b>Revenue</b>				
Local sources	\$ 230,768	\$ 17,390	\$ 12,046	\$ 680,441
State sources	97,425	-	-	-
Federal sources	806,966	-	-	-
Total revenue	1,135,159	17,390	12,046	680,441
<b>Expenditures</b>				
Food services	1,121,102	-	-	-
Athletics	-	408,388	-	-
Community services	-	-	14,022	-
Debt service:				
Principal	-	-	-	714,259
Interest and fiscal charges	-	-	-	48,885
Capital outlay	-	-	-	-
Total expenditures	1,121,102	408,388	14,022	763,144
Revenue over (under) expenditures	14,057	(390,998)	(1,976)	(82,703)
<b>Other financing sources</b>				
Transfers out	(37,846)	-	-	-
Transfers in	-	390,997	1,976	2,267
Total other financing sources	(37,846)	390,997	1,976	2,267
Net change in fund balances	(23,789)	(1)	-	(80,436)
Fund balance, beginning of year	23,790	1	1	80,467
<b>Fund balance, end of year</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 31</b>



Debt Service				Capital Projects		Totals
1996 Debt Service	Durant Debt Service	2001 Debt Service	2005 Debt Service	2001 Capital Projects	Durant Capital Projects	
\$ 828,326	\$ -	\$ 2,671,222	\$ 819,911	\$ 48,930	\$ 70	\$ 5,309,104
-	-	-	-	-	-	97,425
-	-	-	-	-	-	806,966
828,326	-	2,671,222	819,911	48,930	70	6,213,495
-	-	-	-	-	-	1,121,102
-	-	-	-	-	-	408,388
-	-	-	-	-	-	14,022
461,601	-	1,384,590	66,601	-	-	2,627,051
318,065	-	1,319,025	786,100	-	-	2,472,075
-	-	-	-	78,633	6,550	85,183
779,666	-	2,703,615	852,701	78,633	6,550	6,727,821
48,660	-	(32,393)	(32,790)	(29,703)	(6,480)	(514,326)
-	-	(2,267)	-	-	-	(40,113)
-	-	-	-	-	-	395,240
-	-	(2,267)	-	-	-	355,127
48,660	-	(34,660)	(32,790)	(29,703)	(6,480)	(159,199)
69,484	-	529,764	96,485	942,174	6,550	1,748,716
\$ 118,144	\$ -	\$ 495,104	\$ 63,695	\$ 912,471	\$ 70	\$ 1,589,517

## SINGLE AUDIT

**Willow Run Community School**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue, End of Year
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Direct Program -							
Food Distribution:							
Entitlement commodities	10.550	81150	\$ 48,211	\$ -	\$ 58,786	\$ 58,786	\$ -
				-	58,786	58,786	-
Passed-through Michigan Department of Education:							
2006-07 School Breakfast	10.553	071970		-	23,038	23,038	-
2007-08 School Breakfast	10.553	081970		-	205,107	205,442	335
				-	228,145	228,480	335
National School Lunch:							
2006-07 Section 4	10.555	071950		-	6,651	6,651	-
2007-08 Section 4	10.555	081950		-	53,966	53,966	-
2006-07 Section 11	10.555	071960		-	47,147	47,147	-
2007-08 Section 11	10.555	081960		-	406,108	406,979	871
2007-08 Snacks	10.555	081980		-	4,957	4,957	-
				-	518,829	519,700	871
Total U.S. Department of Agriculture				-	805,760	806,966	1,206
<b>U.S. DEPARTMENT OF DEFENSE</b>							
Direct Program							
Department of the Air Force							
Air Force Junior ROTC	12.UNK	n/a	46,473	-	46,473	46,473	-
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed-through Michigan Department of Education:							
Adult Education Act -							
2007-08 Adult Basic Education	84.002A	081130-810647	31,000	-	-	31,000	31,000
2007-08 ESL	84.002A	081120-8500277	17,271	-	-	17,271	17,271
				-	-	48,271	48,271
2006-07 Title I	84.010	071530-0607	1,040,651	45,461	255,235	367,087	157,313
2007-08 Title I	84.010	081530-0708	1,354,941	-	-	378,572	378,572
2007-08 Title I School Improvement	84.010	081550-0708	80,000	-	-	19,633	19,633
2006-07 Title I School Improvement	84.010	071550-0607	80,000	-	8,317	8,317	-
				45,461	263,552	773,609	555,518
2007-08 Title V	84.298	080250-0708	9,638	-	-	9,638	9,638
2006-07 Technology Literacy Challenge Title IID	84.318	074290-0607	10,682	-	7,439	7,439	-
2007-08 Technology Literacy Challenge Title IID	84.318	084290-0708	12,735	-	-	5,000	5,000
				-	7,439	12,439	5,000
2006-07 Title II A	84.367	070520-0607	297,873	-	30,950	99,426	68,476
2007-08 Title II A	84.367	080520-0708	304,396	-	-	8,113	8,113
				-	30,950	107,539	76,589
Passed through University of Michigan							
2006-07 Title II A - Flowthrough	84.367B	07029-130	86,410	20,945	21,026	59,947	59,866
Passed-through Monroe Public Schools							
2007-08 Title III	84.365A	0808580	13,907	-	5,568	5,568	-
Passed-through Washtenaw							
Intermediate School District:							
2007-08 IDEA Flowthrough EI classroom	84.027	080450-607	98,122	-	45,322	98,122	52,800
2007-08 IDEA Flowthrough Resource Room	84.027	080450-605	507,492	-	219,660	507,492	287,832
2006-07 IDEA Flowthrough Resource Room 81150-610	84.027	070450	478,927	24,796	24,796	-	-
2006-07 IDEA Flowthrough EI Classroom 81150-607	84.027	070450	160,133	66,994	66,994	-	-
2006-07 Professional Development 81150-622	84.027	060450	2,185	2,185	2,185	-	-
				93,975	358,957	605,614	340,632
Passed-through Washtenaw							
Intermediate School District:							
2007-08 Preschool Incentive	84.173	080460	15,477	-	-	15,477	15,477
2006-07 Preschool Incentive	84.173	070460	17,779	17,779	17,779	-	-
				17,779	17,779	15,477	15,477

continued...

**Willow Run Community School**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**  
**(Concluded)**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue, End of Year
<b>U.S. DEPARTMENT OF EDUCATION (Concluded)</b>							
2007-08 Early On	84.181	n/a	\$ 16,788	\$ -	\$ -	\$ 16,788	\$ 16,788
2006-07 Early On	84.181	n/a	16,788	4,300	4,300	-	-
				<u>4,300</u>	<u>4,300</u>	<u>16,788</u>	<u>16,788</u>
Passed-through Livingston Intermediate School District:							
2005-06 Drug-Free Schools	84.186	n/a	9,051	7,263	7,263	-	-
2006-07 Drug-Free Schools	84.186	n/a	18,202	870	870	-	-
2006-07 Drug-Free Schools Carry Over	84.186	n/a	17,332	-	-	17,332	17,332
2007-08 Drug-Free Schools	84.186	n/a	19,222	-	-	411	411
				<u>8,133</u>	<u>8,133</u>	<u>17,743</u>	<u>17,743</u>
Total U.S. Department of Education				<u>190,593</u>	<u>717,704</u>	<u>1,672,633</u>	<u>1,145,522</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed-through Washtenaw County:							
2006-07 Head Start	93.600	n/a	453,840	115,509	115,509	-	-
2007-08 Head Start	93.600	n/a	528,653	-	70,407	523,385	452,978
				<u>115,509</u>	<u>185,916</u>	<u>523,385</u>	<u>452,978</u>
Total U.S. Department of Health and Human Services				<u>115,509</u>	<u>185,916</u>	<u>523,385</u>	<u>452,978</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 306,102</u>	<u>\$ 1,755,853</u>	<u>\$ 3,049,457</u>	<u>\$ 1,599,706</u>

- Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
- The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities.
- The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.
- Expenditures include spoilage or pilferage.

# **WILLOW RUN COMMUNITY SCHOOLS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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### **1. FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Willow Run Community Schools (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Willow Run Community Schools is defined in Note I of the District's basic financial statements.

### **2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the District's basic financial statements.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 31, 2008

Board of Education  
Willow Run Community Schools  
Ypsilanti, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **WILLOW RUN COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Willow Run Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willow Run Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Willow Run Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Willow Run Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Willow Run Community Schools' financial statements that is more than inconsequential will not be prevented or detected by Willow Run Community Schools' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Willow Run Community Schools' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and other Matters**

As part of obtaining reasonable assurance about whether Willow Run Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Willow Run Community Schools in a separate letter dated October 31, 2008.

Willow Run Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Willow Run Community Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 31, 2008

Board of Education  
Willow Run Community Schools  
Ypsilanti, Michigan

**Compliance**

We have audited the compliance of **WILLOW RUN COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Willow Run Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Willow Run Community Schools' management. Our responsibility is to express an opinion on Willow Run Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Willow Run Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Willow Run Community Schools' compliance with those requirements.

In our opinion, Willow Run Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.



## **Internal Control Over Compliance**

The management of Willow Run Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Willow Run Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Willow Run Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Willow Run Community Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

# WILLOW RUN COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency (s) identified  
not considered to be material weaknesses?

X yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency (ies) identified  
not considered to be material weaknesses?

X yes    \_\_\_\_\_ none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes    X no

# WILLOW RUN COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster
93.600	Head Start

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2008-1: Preparation of Financial Statements in Accordance with GAAP

**Criteria:** All school districts are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the districts management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

**Condition:** As is the case with many smaller and medium-sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the district's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.

**Cause:** Due to the lack of expertise relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

# WILLOW RUN COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

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<b>Effect:</b>	As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
<b>View of Responsible Officials:</b>	The district has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The District, with its access to financial personnel from the Washtenaw Intermediate School District, believes that it is capable of preparation of annual financial statements in accordance with GAAP.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### Finding 2008-2: Allocation and Certification of Payroll Expenditures

<b>Criteria:</b>	Office of Management and Budget Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency. The Circular also requires that where employees are expected to work solely on a single federal award, charges for their salaries must be supported by at least semi-annual certifications that they worked solely on that program for the period covered by the certification.
<b>Condition:</b>	During the year ended June 30, 2008, multiple employees did not complete, sign or date the semi-annual certifications.
<b>Cause:</b>	The District had believed that all employees had completed the forms including signing and dating them.
<b>Effect:</b>	This condition increases the risk that the District could report an incorrect amount for expenditures related to federal grant programs.
<b>View of Responsible Officials:</b>	The District will implement mandatory completion of the appropriate forms.

# WILLOW RUN COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2008

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### Finding 2008-3: Head Start Income Verification

<b>Criteria:</b>	OMB Circular A-133 states that during the income verification process” Although copies of income verification documents need not be retained by grantees, the child or family record must include a statement, signed by an employee of the grantee (Head Start program), identifying which income verification document was examined and stating that the child is income-eligible (45 CFR section 1305.4(e)).”
<b>Condition:</b>	During the year ended June 30, 2008, multiple documents did not state which income verification was examined and multiple forms selected were not signed by a District employee.
<b>Cause:</b>	The District had believed that all forms had the appropriate documentation and signatures.
<b>Effect:</b>	This condition increases the risk that the District could allow individuals that are not eligible for Head Start to attend the programs..
<b>View of Responsible Officials:</b>	The District will implement mandatory completion of the appropriate forms for the year ended June 30, 2009.

### SECTION IV – PRIOR YEAR FINDINGS

Finding 2007-2 and 2007-3 have been resolved during the year ended June 30, 2008.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



October 31, 2008

To the Board of Education  
Willow Run Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Willow Run Community Schools* (the "District") for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the *District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the *District's* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the *District's* compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the *District's* compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 10, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *District* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the *Willow Run Community Schools* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.



# **Willow Run Community Schools**

## **Comments and Recommendations**

**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the Willow Run Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

### **Other Matters**

#### **Bank Reconciliations**

Investment of funds and the monthly preparation of reconciliations of investments to the general ledger are completed by an individual that also has general ledger access. To help strengthen internal controls over the reconciliation process, we suggest that a District employee independent of this reconciliation process review, initial and date their review on all investment bank reconciliations, and to approve transfers among investment and bank accounts as they are executed.

#### **Moveable Assets**

Periodic counts of moveable capital assets is a key element of capital asset management. Currently, these assets are not inventoried on a periodic basis at the individual school building locations. Accordingly, we recommend that all buildings in the District perform periodic verification of moveable assets against underlying detail accounting records.

# **Willow Run Community Schools**

## **Comments and Recommendations (Concluded)**

**For the Year Ended June 30, 2008**

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### **Food Services Cash Receipts**

A “cash accounting” form is used at food service locations when cashing out the registers. This form is presently not signed by the preparer, nor the reviewer when reconciling the daily cash collected with the cash register control tape. In order to enhance the internal controls in this area, we recommend that the preparer and reviewer document these key processes by initialing and dating the cash accounting forms.

### **Fund Balance / Net Assets (Repeat comment)**

In the current year, the fund balance of the District’s general fund decreased by approximately \$409,000. On a cumulative basis through June 30, 2008, the District has an unreserved fund deficit of approximately \$2,673,000. This follows losses reported in the general fund of approximately \$78,000, \$1,969,000, \$2,276,000 and \$1,647,000 in the years ended June 30, 2007, 2006, 2005 and 2004, respectively. The Michigan Department of Treasury requires positive fund balances in the funds of all school districts, and other governmental units in Michigan. Two years ago, a formal deficit elimination plan has been filed with this oversight Agency, and an update to this plan will be performed.

The deficit for the current year is explained more fully in the Management Discussion and Analysis section of the annual audit report. It is apparent that challenges remain as there have been flat increases in state aid, coupled with declining enrollment trends in the District, increases in personnel costs including retirement costs, and increases in utility and fuel costs over these past five years. The outlook for future state aid foundation increases are not encouraging considering the State of Michigan’s current economic conditions.

From a government-wide perspective, the District’s total net assets amounted to a deficit of \$21,260,622, including an unrestricted deficit of \$4,112,828. This means that the District’s current and long-term liabilities exceed its assets, which could bear unfavorably on the District’s credit rating and its ability to issue long-term debt in the future.

We again recommend that the Board of Education, working together with management, continue to develop a plan to rebuild the District’s general fund balance and net assets to appropriate levels, and to reduce the trend of losses noted in the past five years.

\* \* \* \* \*

FORM **SF-SAC**  
(8-6-2008)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU  
ACTING AS COLLECTING AGENT FOR  
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS  
for Fiscal Year Ending Dates in 2008, 2009, or 2010**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**PART 1****GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)****1. Fiscal period ending date for this submission**

Month	Day	Year
06	30	2008

**2. Type of Circular A-133 audit**

- 1 ☒ Single audit  
2 ☐ Program-specific audit

**3. Audit period covered**

- 1 ☒ Annual 3 ☐ Other —  Months  
2 ☐ Biennial

**4. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)**

3 8 — 6 0 0 4 1 3 6

**b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number** —  — **e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☐ No**f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.****5. AUDITEE INFORMATION****a. Auditee name**

WILLOW RUN COMMUNITY SCHOOLS

**b. Auditee address (Number and street)**

235 SPENCER LANE

City

YPSILANTI

State

MI

ZIP + 4 Code

4 8 1 9 8 — **c. Auditee contact**

Name

DAVID HOULE

Title

CONTROLLER

**d. Auditee contact telephone**

(517) 961 — 6308

**e. Auditee contact FAX**

(734) 481 — 8227

**f. Auditee contact E-mail**

DHOULE@WASH.K12.MI.US

**g. AUDITEE CERTIFICATION STATEMENT** — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Auditee certification

Date

**ELECTRONICALLY CERTIFIED****11/14/2008**

Name of certifying official

**DAVID M. HOULE**

Title of certifying official

**CONTROLLER - WILLOW RUN COMMUNITY SCHOOLS****6. PRIMARY AUDITOR INFORMATION***(To be completed by auditor)***a. Primary auditor name**

REHMANN ROBSON

**b. Primary auditor address (Number and street)**

675 ROBINSON RD.

City

JACKSON

State

MI

ZIP + 4 Code

4 9 2 0 3 — **c. Primary auditor contact**

Name

DAVID M. FISHER

Title

PRINCIPAL

**d. Primary auditor contact telephone**

(517) 787 — 6503

**e. Primary auditor contact FAX**

(517) 788 — 8111

**f. Primary auditor contact E-mail**

DAVE.FISHER@REHMANN.COM

**g. AUDITOR STATEMENT** — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

**7a. Add Secondary auditor information? (Optional)**

- 1 ☐ Yes 2 ☒ No

**b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.**

Auditor certification

Date

**ELECTRONICALLY CERTIFIED****11/14/2008**

**PART II****FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either:

1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a significant deficiency disclosed?**1 ☒ Yes 2 ☐ No – SKIP to Item 5**4. Is any significant deficiency reported as a material weakness?**1 ☐ Yes 2 ☒ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

**3. Did the auditee qualify as a low-risk auditee? (§ .530)**1 ☐ Yes 2 ☒ No**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))**1 ☒ Yes 2 ☐ No –SKIP to Item 6**5. Is any significant deficiency reported for any major program as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development10 ☐ Agriculture23 ☐ Appalachian Regional Commission11 ☐ Commerce94 ☐ Corporation for National and Community Service12 ☐ Defense84 ☐ Education81 ☐ Energy66 ☐ Environmental Protection Agency39 ☐ General Services Administration93 ☐ Health and Human Services97 ☐ Homeland Security14 ☐ Housing and Urban Development03 ☐ Institute of Museum and Library Services15 ☐ Interior16 ☐ Justice17 ☐ Labor09 ☐ Legal Services Corporation43 ☐ National Aeronautics and Space Administration89 ☐ National Archives and Records Administration05 ☐ National Endowment for the Arts06 ☐ National Endowment for the Humanities47 ☐ National Science Foundation07 ☐ Office of National Drug Control Policy59 ☐ Small Business Administration96 ☐ Social Security Administration19 ☐ U.S. Department of State20 ☐ Transportation21 ☐ Treasury64 ☐ Veterans Affairs00 ☒ None☐ Other – Specify:

**PART III FEDERAL PROGRAMS – Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS					
Federal Agency Prefix1 (a)	CFDA Number Extension 2 (b)	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)	If yes, type of audit report 3 (h)	Type(s) of compliance requirement(s) 4 (a)	Audit finding reference number(s) 5 (b)
1 0	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMMODITIES	\$ 58,786 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 0	.553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SCHOOL BREAKFAST	\$ 228,480 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 0	.555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH	\$ 519,700 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 2	.JUNK	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	AIR FORCE ROTC	\$ 46,473 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.002A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ADULT EDUCATION ACT	\$ 48,271 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 773,609 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 9,638 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IID	\$ 12,439 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IIA	\$ 107,539 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.367B	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IIA - FLOWTHROUGH U OF M	\$ 59,947 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				\$ 3,049,457 .00					

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

<sup>3</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

<sup>4</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

<sup>5</sup> N/A for NONE

A. Activities allowed or unallowed  
B. Allowable costs/cost principles  
C. Cash management  
D. Davis – Bacon Act

E. Eligibility  
F. Equipment and real property management  
G. Matching, level of effort, earmarking  
H. Period of availability of Federal funds

I. Procurement and suspension and debarment  
J. Program income  
K. Real property acquisition and relocation assistance

L. Reporting  
M. Subrecipient monitoring  
N. Special tests and provisions  
O. None  
P. Other



PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

1	N / A	21	41							1	N / A	21							
2		22	42							2		22							
3		23	43							3		23							
4		24	44							4		24							
5		25	45							5		25							
6		26	46							6		26							
7		27	47							7		27							
8		28	48							8		28							
9		29	49							9		29							
10		30	50							10		30							
11		31	51							11		31							
12		32	52							12		32							
13		33	53							13		33							
14		34	54							14		34							
15		35	55							15		35							
16		36	56							16		36							
17		37	57							17		37							
18		38	58							18		38							
19		39	59							19		39							
20		40	60							20		40							

**PART I GENERAL INFORMATION - Continued**

**8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)**

<b>1. a. Secondary Auditor name</b> <b>N / A</b>		<b>2. a. Secondary Auditor name</b>		<b>3. a. Secondary Auditor name</b>	
<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c. Secondary Auditor contact</b> Name Title		<b>c. Secondary Auditor contact</b> Name Title		<b>c. Secondary Auditor contact</b> Name Title	
<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>	
<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>	
<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>	
<b>4. a. Secondary Auditor name</b>		<b>5. a. Secondary Auditor name</b>		<b>6. a. Secondary Auditor name</b>	
<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c. Secondary Auditor contact</b> Name		<b>c. Secondary Auditor contact</b> Name		<b>c. Secondary Auditor contact</b> Name	
Title		Title		Title	
<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>	
<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>	
<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>	